

**PUBLIC DISCLOSURE**

July 25, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NORTH SHORE BANK, A CO-OPERATIVE BANK**

**32 MAIN STREET  
PEABODY, MA 01960**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **NORTH SHORE BANK, A CO-OPERATIVE BANK ("North Shore Bank" or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **July 25, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Outstanding"**

A CRA rating of "Outstanding" is assigned. An institution in this group has an outstanding record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- A high level of lending to small businesses with annual revenues under \$1 million and an adequate performance in lending to low- and moderate-income borrowers;
- A good level of dispersion of small business and Home Mortgage Disclosure Act ("HMDA") reportable lending throughout all geographic areas within its assessment area
- A high level of community development loans;
- An adequate level of qualified investments;
- A high range of retail and community development services.

The following is a summary of the Bank's performance under each of the three tests.

### **Lending**

*Lending activity is very good.*

- The Bank's loan-to-deposit and net loan-to-asset ratios have shown steady upward trends and appear to be at above average levels. The level of lending increased significantly with loan growth increasing by 45 percent. This level of activity indicates a strong willingness to extend credit.
- A majority of home mortgage loans and small business loans by number were made within the assessment area during 2003 and 2004.

*Geographic distribution of small business and home mortgage loans is adequate.*

- Penetration of all geographies throughout the bank's assessment area during 2003 and 2004 appears adequate.

*Lending to small businesses with annual revenue of less than \$1 million is very good while lending to borrowers of different incomes is adequate.*

- The percentage of small business loan originations to businesses with annual revenues less than \$1 million is high.
- The percentage of originations by borrower income level reveals adequate percentages of lending to low- and moderate-income borrowers when compared to the percentage of family households throughout the assessment area.

*Community Development Lending is very good.*

- The Bank demonstrated a strong willingness to meet community development lending needs inside the assessment area by originating eleven loans totaling approximately \$15.8 million.

*Innovative and Flexible Lending Practices are very good.*

- The Bank offers a number of innovative and flexible residential loan products from which it originated a number of loans. The George Peabody Loan Fund is particularly noteworthy.

## **Investments**

*The level of qualified investments and the degree of innovativeness is adequate.*

- The Bank made an acceptable level of qualified grants. The level of qualified investments is reasonable for an institution of its asset size and type.

## **Services**

*The Bank maintains a high level of retail and community development services.*

- The delivery of retail services and management's commitment to community development services reflect a very high level of responsiveness to the needs of the assessment area.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS North Shore Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding	<b>X</b>		<b>X</b>
High Satisfactory			
Satisfactory		<b>X</b>	
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

North Shore Bank, a wholly owned subsidiary of North Shore Bancorp, is a \$385,094,000 state chartered mutual savings bank founded in 1888 and headquartered in Peabody, Massachusetts. In addition to the main office located at 32 Main Street, the Bank operates eight additional offices located in six north shore communities. The Bank also has a limited service branch located at the Peabody Veterans Memorial High School in Peabody. This branch is considered an educational facility available to students and faculty members. Four branches can be found in the following cities; Beverly, Lynn, Peabody and Salem, and two branches in the towns of Middleton, and Danvers. All of the Banks offices are located in the Essex County. Each of the full-service facilities has at least one Automatic Teller Machine ("ATM") onsite. A total of three bank offices are located in supermarket type facilities. A total of two bank offices offer drive-up services. Six of the nine full service branches can be found in middle income census tracts, one in moderate and two in upper income census tracts. The limited service branch is located in a middle income census tract. For the examination time period 2003 and 2004, the Bank has closed two branches and opened one. The Swampscott branch closed on May 28, 2004, Marblehead branch closed on April 22, 2005 and the Salem branch located in Vinnin Square opened on May 1, 2005.

As of its March 31, 2005 Federal Deposit Insurance Corporation ("FDIC") quarterly call report, North Shore Bank had \$385,094,000 in assets. The Bank continues to primarily be a residential lender. The Bank does sell loans on the secondary market. The composition of the Bank's loan portfolio consists of mortgage loans, commercial real estate loans, home equity loans and consumer loans. Business and commercial lending is provided through commercial loans and lines of credit. Refer to the following table for the distribution of the Bank's loan portfolio.

### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
One to Four-Family Residential Mortgages	116,701	40.1%
Commercial Properties	25,793	8.9%
Commercial and Industrial	77,441	26.6%
Construction and Land Development	38,381	13.2%
Multifamily (5 or more dwellings)	30,516	10.5%
Other Consumer Loans	1,954	0.7%
Credit Cards	77	0.0%
Other Loans	49	0.0%
<b>Total Gross Loans</b>	<b>290,912</b>	<b>100%</b>

Source: March 31, 2005 Report of Condition.

For residential lending the Bank's portfolio consists of 40.1 percent one to four family residential mortgages and 10.5 percent multi-family (5 or more dwellings). Commercial lending is 26.6 percent commercial and industrial and 8.9 percent is commercial properties. Construction and land development loans also make up 13.2 percent of the Bank's portfolio. The Bank sells its loans on the secondary market. In 2003, the Bank sold 4 loans totaling \$1,230,000 and, in 2004, 24 loans totaling \$5,279,995 to SunTrust.

## **PERFORMANCE CONTEXT (CONTINUED)**

The Bank also sells loans to Fannie Mae. In 2003 the Bank sold 406 loans totaling \$56,211,133.98 and in 2004, 129 loans totaling \$17,320,968.15.

The Bank continues to offer a variety of loan products that include first-time homebuyer residential mortgage programs, other conventional residential mortgages, jumbo residential mortgages, consumer loans, and numerous commercial real estate and commercial loans.

The Bank offers a selection of deposit, loan, and special services geared toward its business and commercial customers. A variety of checking and savings account services are available. Financing for business and commercial customers include, but are not limited to: lines of credit, letters of credit, working capital financing, Small Business Administration financing, and commercial mortgage and construction financing. Furthermore, the Bank offers below market rate loans to area small businesses and property owners/landlords through its George Peabody Community Loan Fund. This program assists borrowers with special borrowing needs who may not typically qualify for conventional financing. The Bank also offers standard cash management and other specialized services such as payroll services, night depository, and telephone Banking.

The Bank's CRA performance was last evaluated by the Division on March 3, 1999 and the FDIC in December 1, 2003, both evaluations resulted in overall ratings of "Outstanding." The preceding rating was indicative of an outstanding record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The Bank's CRA performance was evaluated at the prior examination utilizing the small bank CRA procedures. During the current examination, the Bank's CRA performance was evaluated utilizing large bank CRA procedures. These consisted of an evaluation of three tests: Lending, Investment, and Service.

There are no financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its delineated assessment area. North Shore Bank's ability to meet the community's credit needs remains positive, based on its asset size, product offerings, and branch network.

### **Description of Assessment Area**

CRA requires a financial institution to identify one or more assessment areas in which it intends to help meet the area's credit needs. The Bank's assessment area includes the following cities/towns: Beverly, Danvers, Lynn, Marblehead, Middleton, Peabody, Salem and Swampscott. All of which are located in the Essex County Metropolitan Statistical Area ("MSA").

According to 2000 census data, the Bank's assessment area has 114,983 housing units of which, 58 percent are owner-occupied, 39 percent are rental occupied units and 3 percent are vacant housing units. One to four family properties comprise 78 percent of the total housing units.

## **PERFORMANCE CONTEXT (CONTINUED)**

Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area consists of 57 census tracts: 4 (7 percent) low-income, 17 (30 percent) moderate-income, 27 (47 percent) middle-income and 9 (16 percent) upper-income

Please refer to the table below regarding other housing characteristics.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>						
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>					
	<b><i>Census Tracts</i></b>	<b><i>House holds</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner-Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>
<b><i>Low</i></b>	7.0%	4.6%	4.7%	1.4%	9.5%	6.0%
<b><i>Moderate</i></b>	29.8%	24.3%	24.4%	14.5%	38.8%	30.0%
<b><i>Middle</i></b>	47.4%	50.8%	50.7%	56.0%	43.3%	46.0%
<b><i>Upper</i></b>	15.8%	20.3%	20.2%	28.1%	8.4%	18.0%
<b><i>NA</i></b>		-	-	-	-	-
<b><i>Total or Median</i></b>	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Source: 2000 U.S. Census

### **Change in MSA for 2004**

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new MSA boundaries, which were then updated in February 2004, effective January 2004. The new definitions resulted in the reintroduction of the term MSA instead of metropolitan area and changes to the boundaries of many existing MSAs. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division boundaries that impact 2004 data.

The median family income for Boston MSA 2003 is \$80,800 and in 2004 the Essex County MSA is \$76,000. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance.



## **PERFORMANCE CONTEXT (CONTINUED)**

Unemployment figures were obtained for the assessment area. As of December 2004 the assessment area had an unemployment rate of 5.3 percent. The City of Lynn had the highest rate at 6.5 while the Town of Marblehead had the lowest which was 3.0. The assessment's area's unemployment rate was lower than the statewide average of 4.7 percent.

### **Marketplace**

The area's housing prices continue to rise considerably. Statistics published by the Warren Group show that the area's median home sales price for the 2004 calendar year ranged from a low of \$273,000 in Lynn to a high of \$480,000 in Marblehead

### **Community Contacts**

Community contacts indicated the increasing need for affordable housing. The contacts spoke of the increasing housing values within area and stated that the cost of housing has impacted the ability of low- and moderate-income individuals to purchase a home. The contacts inferred that were it not for the existence of flexible loan programs (i.e., first-time homebuyer programs) at the local banks, many of the low-income applicants would not qualify for conventional financing. Additionally, the need for small business credit was highlighted as a substantial need for economic support to ensure employment stability and viability of downtown business districts in the more urban areas.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

North Shore Bank's Lending Test performance was rated an overall "Outstanding." The institution's lending efforts are rated under the seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The Bank has demonstrated a good level of small business lending within its assessment area. The penetration of lending in low- and moderate-income geographies as well as lending to businesses with annual revenues of less than \$1 million exceeded performance levels of the aggregate and demonstrates a strong willingness to meet the credit needs of small businesses in the assessment area. This rating is also based upon the Bank's performance levels of residential loans originated in low- and moderate-income census tracts as well as, a good level of lending activity to low- and moderate-income borrowers. The Bank originated a good number of community development loans by providing financing for affordable housing, economic development, small businesses and community service organizations. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

A review of North Shore Bank's HMDA-reportable loans and small business loans was conducted during this examination. HMDA-reportable and small business loans were reviewed for the period of 2003 and 2004. These time periods were used throughout this evaluation.

#### I. Lending Activity

As of March 31, 2005, the Bank had assets totaling approximately \$385,094,000 as reported in the quarterly FFIEC Call Report. Over the last eight quarters, the Bank's assets have increased by \$41,438,000 or 12 percent. The following table details the net loan to asset ratios for the period under review.

<b>North Shore Bank</b> <b>Net Loan-To-Asset Ratio</b> June 30, 2003 through March 31, 2005	
June 2003	60.3%
September 2003	63.3%
December 2003	67.9%
March 2004	67.1%
June 2004	67.6%
September 2004	70.9%
December 2004	71.4%
March 2005	74.6%

Source: FFIEC Call Reports

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

The average net loan to asset ratio for the past eight quarters stood at 68.1 percent as of March 31, 2005. As indicated in the table above, there has been a rather steady increase in the net loan to asset ratio. The total asset size of the institution experienced 12 percent increase for the eight quarter period, rising from \$343,656,000 as of June 30, 2003 to \$385,094,000 as of March 31, 2005. It is important to note that the institution realized a 38.4 percent increase in its loan portfolio over the same time period, rising from \$207,339 as of June 30, 2003 to \$286,997 as of March 31, 2005.

A comparative analysis of the dollar amount for the Bank's net loans and deposits as of June 30, 2003 compared to that of March 31, 2005 was also performed. This analysis revealed that deposits have increased by only 6.5 percent, while net loans for the same period have increased by 38.4 percent. The net loan-to-deposit ratio has also risen steadily from a low of 73.6 percent as of June 30, 2003 to a high of 95.7 percent as of March 31, 2005. As mentioned previously, North Shore Bank sells some of its fixed rate loans to the secondary market, which in turn assists the institution to increase its overall loan growth.

Based on the above information and North Shore Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan to asset ratio is considered to meet the standards for satisfactory performance. The expanded loan growth also indicates the Bank's strong willingness to extend credit to meet the credit needs of its assessment area.

#### ***Small Business Lending***

North Shore Bank's 2003 and 2004 Small Business Loans Registers ("SBLR"s) were reviewed to determine the amount of credit extended within the delineated assessment area. The Bank originated 305 small business loans totaling approximately \$52,699,000 during this period. A total of 199 loans totaling \$32,831,000 were originated to businesses within the Bank's assessment area, representing 65 percent by number and 62 percent by dollar amount.

Refer to the following tables for additional information regarding the Bank's small business lending, by both number and dollar amount.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	98	74.2	17,148	78.4	34	25.8	4,731	21.6
2004	101	58.4	15,683	50.9	72	41.6	15,137	49.1
Total	199	65.3	32,831	62.3	106	34.7	19,868	37.7

Source: CRA Data Collection

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

As depicted in the above tables, the vast majority (65 percent) by number of the Bank's small business loan originations have been within its assessment area. The percentage of small business loans within the assessment area is adequate for the period under review. While there has been a decrease in the lending ratio inside the assessment area since the last examination of 14 percent it is important to note that there has been a 45 percent increase in overall lending, which in turn resulted in a 20 percent increase inside the assessment area.

For comparative purposes the most recent aggregate data available is broken down by county for calendar year 2003. All of North Shore Bank's assessment area is included in the Essex County MSA. North Shore Bank ranked 23<sup>rd</sup> overall in the number of small business loans originated with a total of 112 loans and a dollar amount of \$18,245,000. Other small business reporters ranking higher than North Shore Bank are large national and regional institutions that engage in credit card and leasing activities that qualify as being defined as small business loans under the regulation.

### HMDA-Reportable Lending

North Shore Bank's 2003 and 2004 Loan Application Registers ("LAR"s) were reviewed to determine the amount of credit extended within the Bank's delineated assessment area. During this period, the Bank originated 1,097 HMDA-reportable loans totaling approximately \$184,496,000. Of this amount, 833 loans, or 75.9 percent of the number, totaling \$130,029,000, or 70.5 percent of the dollar amount, were originated in the Bank's assessment area.

Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar amount.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	535	77.6	79,798	73.1	154	22.4	29,306	26.9
2004	298	73.0	50,231	66.6	110	27.0	25,161	33.4
Total	833	75.9	130,029	70.5	264	24.1	54,467	29.5

Source: HMDA LAR, CRA Wiz

As indicated in the above tables, the majority (75.9 percent) of HMDA loans by number, from 2003 to 2004, were originated inside the Bank's assessment area. The percentage of HMDA loans within the assessment area has decreased slightly during the time period under review, from 77.6 percent in 2003 to 73.0 percent in 2004. In 2003, the Bank ranked 19<sup>th</sup> in market share out of a total of 419 mortgage lenders in the assessment area for HMDA-reportable loans.

The overall percentage of lending inside the assessment area, by both residential and small business loans is considered to be good.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### II. Geographic Distribution

##### *Distributions by Census Tract Income Level*

North Shore Bank's small business and HMDA reportable lending reflects a good distribution within low- and moderate-income census tracts. The following information details the geographic distribution of the Bank's loans.

##### *Small Business Lending*

North Shore Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The following tables depict this distribution by number of loans.

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2003		2004		Total	
	#	%	#	%	#	%
Low	7	7.1	0	0.0	7	3.5
Moderate	27	27.6	23	22.8	50	25.1
Middle	51	52.0	64	63.4	115	57.9
Upper	13	13.3	14	13.8	27	13.6
Total	98	100.0	101	100.0	199	100.0

Source: CRA data collection, CRA Aggregate Lending Data

As shown above, the Bank originated 28.6 percent of its small business loans in low and moderate-income census tracts for the time period covered.

##### *HMDA-Reportable Lending*

The HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 57 census tracts: 4 or 7.02 percent as low-income; 17 or 29.82 percent as moderate-income; 27 or 47.37 percent as middle-income; and 9 or 15.79 percent as upper-income.

The following table provides a breakdown, by number, of the Bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the loans in comparison to the percentage total of owner-occupied housing units in each of the census tract income categories. Additionally, the geographic distribution of the Bank's loans by census tract category may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include Bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2003 and is also presented in the following table.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2003		2004		Total	
			#	%	#	%	#	%
Low	1.4	5.2	9	1.8	2	0.8	11	1.5
Moderate	14.5	18.1	43	8.6	34	12.9	77	10.1
Middle	56.0	58.2	362	72.6	164	62.1	526	68.9
Upper	28.1	18.5	85	17.0	64	24.2	149	19.5
Total	100.0	100.0	499	100.0	264	100.0	763	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data, \*

As shown in the above table, 11.6 percent of the Bank's total loans by number for the period were within low and moderate-income census tracts, which is below the aggregate, however is deemed reasonable considering the total percentage of owner-occupied housing units in those areas.

In 2003, North Shore Bank ranked 18<sup>th</sup> in market share for lending in low and moderate-income census tracts within its assessment area. The Bank originated 52 HMDA-reportable loans in these census tracts, representing 10.1 percent of its total originations inside the assessment area, compared to the aggregate percentage of 23.3 percent. The top five ranked lenders in low and moderate-income census tracts in the assessment area were national banks or mortgage lenders. Additionally, the Bank's HMDA-lending by percentage in 2004 is indicating a slight upward trend to 13.7 percent in lending within low and moderate-income census tracts from the 2003 level of 10.1 percent.

North Shore Bank's overall geographic distribution of small business lending and HMDA loans reflects an adequate distribution of lending to both low and moderate-income areas.

### III. Borrower Characteristics

North Shore Bank has demonstrated a high level of lending to businesses with annual revenues of less than \$1 million and an adequate level of lending to borrowers of low- and moderate-incomes. The following details the Bank's distribution of lending based upon borrower characteristics.

#### ***Small Business Lending***

The small business loans originated within the Bank's assessment area during this period were analyzed to determine the distribution among businesses of various sizes. The majority of the loans originated during this period were granted to small businesses, whose annual revenues are \$1 million or less. The following tables depict the distribution of business loans within the Bank's assessment area by revenues of the business.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2003		2004		Total	
	#	%	#	%	#	%
<= \$1,000	77	78.6	80	79.2	157	78.9
> \$1,000	21	21.4	21	20.8	42	21.1
NA**	-					
<b>Total</b>	<b>98</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>

Source: CRA Data Collection, \*

For the time period covered by this examination, 78.9 percent of the number and 73.5 percent of the dollar amount of loans, went to businesses that had annual revenues less than or equal to \$1 million. Originations to businesses with annual revenues exceeding \$1 million represented 21.1 percent of the number and 26.5 percent of the dollar amount.

The small business loans originated within the Bank's assessment area during the time period were further analyzed to determine the typical loan amount at origination. As indicated below, the vast majority of the loans originated by the Bank and in the Bank's assessment area during this time period had original loan amounts of \$100,000 or less. The following tables depict the distribution of business loans within the Bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2003		2004		Total	
	#	%	#	%	#	%
< \$100	47	48.0	60	59.4	107	53.8
\$100 - \$250	30	30.6	20	19.8	50	25.1
> \$250 - \$1,000	21	21.4	21	20.8	42	21.1
<b>Total</b>	<b>98</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>

Source: CRA Data Collection

By dollar amount, 53.8 percent of the loans had amounts less than or equal to \$100,000 and 25.1 percent had loan amounts between \$100,000 and \$250,000. The remaining 21.1 percent had loan amounts greater than \$250,000.

As shown in the above tables, the majority of small loans originated by the Bank in its assessment area (78.9 percent by number) were extended to small businesses with gross annual revenues of \$1 million or less. In addition, 53.8 percent by number of the small business loans had original amounts of \$100,000 or less. North Shore Bank has done an excellent job of addressing the credit needs of small businesses inside its assessment areas, particularly to businesses with annual gross revenues under \$1 million. Since the last examination there has been a 20 percent increase in lending to small businesses with total of 33 more loans originated.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### *HMDA-Reportable Lending*

The Bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The median family income for Boston MSA 2003 is \$80,800 and in 2004 the Essex County MSA is \$76,000. The income figures are based on estimated HUD information.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households in the assessment area in each respective income group. The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2003 and is also presented in the following table.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Total Households	2003 Aggregate Lending Data (% of #)	2003		2004		Total	
			#	%	#	%	#	%
Low	1.4	7.2	40	8.0	16	6.1	56	7.3
Moderate	14.5	23.1	115	23.1	69	26.1	184	24.1
Middle	56.0	28.0	179	35.9	89	33.7	268	35.1
Upper	28.1	27.0	149	29.8	73	27.7	222	29.2
NA	-	14.7	16	3.2	17	6.4	33	4.3
Total	100.0	100.0	499	100.0	264	100.0	763	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

In the period covered, the Bank extended a total of 240 loans to low and moderate-income borrowers representing 31.4 percent of total loans originated inside the assessment area. The Bank's HMDA-reportable loans to low and moderate-income borrowers are in line with the percentage of total households in those areas. As shown above, the Bank's percentage of lending by number to borrowers of low and moderate-income in 2003 is slightly above that of the aggregate.

In 2003, North Shore Bank ranked 18<sup>th</sup> in market share for lending to low and moderate-income borrowers within its assessment area. The Bank originated 155 HMDA-reportable loans to these borrowers, representing 31.1 percent of its total originations inside the assessment area, compared to the aggregate percentage of 30.3 percent. The top five ranked lenders to low and moderate-income borrowers in the assessment area were national banks, mortgage lenders or larger regional banks. Additionally, the Bank's HMDA-lending by percentage in 2004 is indicating a slight upward trend to 32.2 percent in lending to low and moderate-income borrowers from the 2003 level of 31.1 percent.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

The distribution of HMDA-reportable lending by borrower income is good and demonstrates the Bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income.

#### IV. Community Development Lending

North Shore Bank has originated a substantial number of community development loans that have had a positive impact on its assessment area. The Bank originated 11 community development loans totaling \$15,785,000. During 2003, the Bank originated five qualified community development loans totaling \$8,950,000. For year 2004 the Bank originated six loans totaling \$6,835,000. Through its community development lending efforts, numerous residential units of affordable housing were financed. Lending activities supported the efforts of several area non-profit organizations by financing their expansion and working capital needs. The following are examples of community development loans granted during the period under review.

In April 2003, the Bank originated a commercial real estate mortgage for the amount of \$1,700,000. The proceeds of the loan were used to finance the acquisition of a 24-unit apartment building of which 20 percent must be set aside for low income housing, Section 8.

In July 2003, the Bank provided a \$3,500,000 construction loan of which the proceeds were used to finance the land acquisition, infrastructure and bonding, and construction of a 24-unit condominium complex. Six of the units will be restricted for ownership by households at or below 80 percent of the area median household income.

In May 2003, the Bank participated in a \$3,750,000 commercial real estate mortgage loan. The proceeds will be partially used to refinance an existing loan and acquire 78-units in three apartment buildings located in a low income census tract.

#### V. Innovative or Flexible Lending Practices

North Shore Bank continues to design and participate in a variety of flexible and innovative loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. These programs are detailed below.

**First Time Homebuyer Program:** North Shore Bank offers an adjustable rate First-Time Homebuyers product with expanded underwriting guidelines, reduced down payment requirements, and reduced closing costs. During the evaluation period the Bank originated 44 first-time homebuyer real estate loans in the amount of \$8,647,700.

**George Peabody Community Loan Fund:** This Bank sponsored program offers below market rate loans. The Bank initiated a savings account product called the Good Neighbor Savings Account which provides the funding source for these loans. The purpose of the fund is to make loans affordable to a wider group of credit worthy small businesses, real estate owners, and first-time home buyers. The program is available for assessment area

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

residents and businesses for the benefit of the local economy. During the evaluation period the Bank originated 56 loans in the aggregate amount of \$8,422,500.

**Peabody Flood Program:** North Shore Bank worked with the City of Peabody and allocated \$1 million dollars from its George Peabody Loan Fund to create a special program to help aid business owners affected by the flood damages in 2004. Businesses could borrow up to \$50,000 for working capital, equipment replacement/repair, or water mitigation at 4.00% APR. This program also featured expedited loan processing to enable the customers to restore their businesses as soon as possible.

**Small Business Administration (“SBA”):** North Shore Bank became an approved SBA lender in March 2004. As an SBA Express lender the Bank is eligible to extend loans under the 7(a) guaranteed program detailed below.

The 7(a) Guaranteed Loan Program is a unique program that provides start-up costs to new small businesses. Under this loan program, the Bank funds the entire loan with a guarantee from the SBA. The maximum guarantee percentage (75% to 90%) varies depending on the use of the loan proceeds. In 2004, the Bank originated 10 loans under this programs totaling \$2,003,000, which are all accounted for in the Small Business evaluation under the lending test.

North Shore Bank’s use of these flexible and innovative lending programs has benefited the assessment area by assisting low and moderate-income borrowers in obtaining credit as well as benefiting small businesses in the area

## VI. Fair Lending Policies and Practices

North Shore Bank’s fair lending information was reviewed to determine how it is related to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Bank’s maintains a fair lending policy aimed at preventing illegal discrimination and that adequately addresses the Division’s Regulatory Bulletin 2.3-101 and other aspects of fair lending. Through a review of the Bank’s files it appears that the Bank follows it procedures set forth in the loan policy.

The Bank provides employees with training on a variety of fair lending and diversity issues. North Shore Bank’s marketing efforts are done primarily through local radio, cable and newspaper advertisements that reach the entire assessment area. In addition, members of the Bank are actively involved in the community and use their numerous contacts to help determine the credit needs of the assessment area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

The Bank offers different types of flexible products that are effective in providing credit to those who would not qualify under conventional lending standards as detailed above. Additionally, the Bank has participated in numerous educational seminars that are detailed in the service test section of this evaluation.

North Shore Bank has a second review system in place for all credit applications that are denied. Before an applicant is denied, the mortgage department manager must review the application and if they concur, the loan will not be made. All applicants who are denied credit are sent an adverse action notice or are advised of the action taken within 30 calendar days of receipt of the completed application.

The Bank has a staff of 109 employees of which 5 are minorities. In addition, the Bank employs 15 individuals who speak different foreign languages.

### Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. In 2003 and 2004 the Bank received 833 residential loan applications from within its assessment area. During this period, 47 applications, or 5.6 percent, were received from minorities. Refer to the following table for further details.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2003		BANK 2003		BANK 2004		BANK TOTAL	
	#	%	#	%	#	%	#	%
Native American	116	0.2	-		1	0.3	1	0.1
Asian	792	1.5	8	1.5	9	3.0	17	2.0
Black	1,004	1.9	5	0.9	3	1.0	8	1.0
Hawaiian/Pac. Isl.	-		-		-			
Hispanic	2,495	4.7	6	1.1	9	3.0	15	1.8
Other	778	1.5	3	0.6	-	-	3	0.4
2 or more Minority	-	-	-		-	-	-	
Joint Race	-	-	-		3	1.0	3	0.4
<b>Total Minority</b>	<b>5,185</b>	<b>9.8</b>	<b>22</b>	<b>4.1</b>	<b>25</b>	<b>8.3</b>	<b>47</b>	<b>5.6</b>
White	36,014	68.3	508	95.0	270	90.6	778	93.4
Not Provided	7,820	14.8	3	0.6	3	1.0	6	0.7
NA	3,760	7.1	2	0.3	-	-	2	0.2
<b>Total</b>	<b>52,779</b>	<b>100.0</b>	<b>535</b>	<b>100.0</b>	<b>298</b>	<b>100.0</b>	<b>833</b>	<b>100.0</b>

\*Source: PCI Services, Inc., CRA Wiz Software.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **LENDING TEST (CONTINUED)**

The Bank's minority application flow for this period was compared with the racial make-up of the assessment area and 2003 aggregate data for all HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. According to 2000 Census Data, the Bank's assessment area contained a total population of 285,193 individuals of which 17.2 percent are minorities, compared to the Bank's application level of 5.6 percent to minorities over the two years. Aggregate information indicated that, of the 52,779 HMDA-reportable applications received within the assessment area in 2003, 9.8 percent were from minorities. The Bank's level of minority applications was below the aggregate at 4.1 percent. The Bank's level of applications to minorities increased to 8.3 percent in 2004. There is no aggregate data available for 2004 for comparative purposes.

Aggregate data for 2003 indicated that 22.5 percent of all minority applications were denied. The Bank's 2003 denial rate of minority applications was 2 loans or 9 percent. The Bank's denial rate for 2004 increased to 24 percent with 6 of the 25 minority applications having been denied. This rate of denial appears to be slightly above the 2003 aggregate level, however, as previously stated, there is no 2004 aggregate data available for comparative purposes.

### **VII. Loss of Affordable Housing**

The Bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria, has assisted low and moderate-income individuals to remain in their neighborhoods.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. As depicted below, North Shore Bank has a good level of qualified community development grants, and has exhibited an adequate responsiveness to credit and community economic development needs based on the limited opportunities in the assessment area. Therefore, the Bank's investment performance is rated Satisfactory.

#### *Investments*

**Access Capital Strategies Investment Fund, Inc (the Fund):** On September 25, 2002 the Bank invested \$1,000,000 in the Fund. The Access Capital Strategies Community Investment Fund, Inc. is an SEC-registered fund structured as a business development company. The primary purpose of the Fund is to provide a secondary market and financing vehicle for community development loan originators. The Fund invests in private placement debt securities specifically designated to support underlying community development activities targeted to low- and moderate-income individuals such as affordable housing, education, small business lending and other job creating investments within a target region specified by the financial institution. The Bank's target region for this investment is Essex County. A majority of the originated loans have been made within the Bank's delineated assessment area. The Bank reinvests the interest earned back into the fund. Current book value, as of June 30, 2005 is \$1,168,574.

#### *Charitable Contributions*

During the evaluation period, North Shore Bank made qualified donations of \$42,482.00 to organizations that provide services to low- and moderate-income people and promote economic development in the assessment area. The following includes (but is not limited to) some of the organizations that North Shore Bank contributed to that were considered to be qualified donations.

**Beverly Affordable Housing Coalition (BACH):** BACH is a not for profit organization that creates affordable housing, both rental and homeownership opportunities, advocates for citizens living in distressed housing and educates out fellow residents on the need for affordable housing in Beverly.

**Beverly Bootstraps Food Pantry Inc:** This organization provides food, clothing, housing, and furniture for individuals who are homeless or on the verge of homelessness. The mission of this organization is "to end hunger and its root causes in the Beverly community by offering a myriad of emergency and empowerment services to those in needs within our community."

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### INVESTMENT TEST (CONTINUED)

**Catholic Charities:** Catholic Charities offers a wide array of programs and services throughout Eastern Massachusetts, ranging from adoption, child care, elder services, welfare-to-work programs as well as many others.

**Citizens for Adequate Housing, Inc (CAH):** CAH is an organization which offers emergency shelter for the homeless as well as providing services and programs designed to ensure that families' return to independent living successful. Through skilled and dedicated staff, CAH provides training in life, parenting, and employment skills; assistance in finding and maintaining permanent housing; and legal, medical, and mental health referrals. Substance abuse treatment is offered as well.

**Help for Abused Women and Children (HAWC):** HAWC is program that has been providing much needed services and support to abused women and their children in 23 cities and towns in the north shore. This program offers a 24-hour hotline, emergency shelter, legal advocacy, counseling, and support groups. In addition, it provides critical information about teen dating violence and prevention to middle and high school students throughout the north shore.

**Historic Salem Incorporated:** Historic Salem, Inc is an organization which is committed to restoring the Bowditch House on North Street in Salem and implementing education and interpretation program to bring the extraordinary life and accomplishments of Nathaniel Bowditch to the people of Greater Salem.

**North Shore Housing Trust, Inc:** The North Shore Housing Trust is a non-profit in the north shore dedicated to providing affordable housing throughout the region. They are focused on workforce housing needs and developing housing in suburban and smaller communities.

Additional donations were granted to Haven from Hunger; Making a Difference in Peabody Foundation; North Shore Community Action Program; FDIC Smart Money Training Program; Peabody Education Council; Danvers Community YMCA Capital Campaign; Essex National Heritage Area; and the Salem Harbor CDC-Serving Salem.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. As illustrated below, officers and employees of North Shore Bank demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The Bank's products and alternative Banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of "Outstanding" is warranted.

The Bank's systems for delivering retail-Banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The Bank's low cost checking and savings accounts, as well as the convenience of its automated telephone Banking system, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank have provided a high level of service activity in response to community needs. Retail Banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the Bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

#### **Retail Banking Services**

##### ***Distribution of Branches***

North Shore Bank's main office is located at 32 Main Street, Peabody Massachusetts. The Bank has a network of nine full-service offices, including the main office, which provides personal access to financial services throughout the assessment area. Three of the nine branch offices are located in supermarket facilities. The Bank operates one limited service branch office at the Peabody Veterans Memorial High School in Peabody. This branch office is considered an educational facility available to students and faculty members. A total of seven offices (including the education branch office) are located in middle-income geographies; two offices are located in an upper-income census tract and one office is located in moderate-income geographies.

Branch hours are convenient and comparable to other institutions, and services of the Bank are more than sufficient to meet the needs of the assessment area. Office hours for the branches are generally 9:00 a.m. to 4:00 p.m. Monday through Wednesday with extended hours on Thursday and Friday. North Shore Bank maintains Saturday hours at all locations and Sunday hours at select locations. ATMs are located at all branches except for the educational branch located at Peabody Veterans Memorial High School.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **SERVICE TEST (CONTINUED)**

#### ***Record of Closing Branches***

The Bank maintains a Branch Office Closing and Opening policy. The policy details the procedures the Bank will follow before closing or opening a branch office. Two branches were closed and one opening since the last FDIC examination in December 2003. The Swampscott branch closed on May 28, 2004, Marblehead closed on April 22, 2005 and the Salem branch opened on May 1, 2005.

#### ***Alternative Banking Services***

North Shore Bank offers several convenient banking alternatives, many of which are free. The Bank offers internet banking at [www.northshore-Bank.com](http://www.northshore-Bank.com) this feature gives customers the ability to manage one's finances from a home or office computer, free of charge. Customers can review checking, savings, and certificate of deposit accounts, check account balances, make loan payments, transfer funds between accounts, view account histories, and view paid check imaged online. Customers can also pay their bills online free of charge.

The Bank offers an ATM card which is linked to a SUM network with the option of the Master Money Check/Debit feature. SUM is a selective surcharge free network of over 1,000 ATMs designed to assist consumers in minimizing the cost associated with using their ATM cards to make withdrawals. North Shore Bank customers utilizing non-proprietary ATMs not part of the SUM network are charged a fee of \$1.00. Electronic services include direct deposit, automatic payment services, and automatic savings programs.

North Shore Bank's bank by mail service offers paid postage to bank customers and prospective customers. Customers traditionally utilize this service to submit, via mail, deposits and loan payments. The Bank also offers 24 Hour TouchTone Teller Service (24-hour automated telephone banking) that allows consumers to check current balances; find out if a specific check has cleared; access a list of recent deposits or withdrawals; transfer money between accounts; and obtain current loan and deposit rate information. In addition, the Bank offers free public assistance check cashing services which cashes checks for non customers who have social security checks.

Currently, there are 15 bilingual employees to assist the non-English speaking customers and potential customers at the Bank. Second languages include Greek, Portuguese, Cambodian, Italian, and Spanish. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

#### ***Other Services***

A variety of deposit products, loan products and business services are available at North Shore Bank locations. The Bank offers checking, passbook savings, statement savings, holiday club savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the Bank.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

North Shore Bank participates in the Massachusetts Community and Banking Council's Basic Checking program. Basic Banking for Massachusetts was launched in 1994 as a voluntary program to expand access to Bank products and services and encourage those with modest incomes to establish Banking relationships. This program is designed to offer low cost checking and savings accounts to low- and moderate-income consumers.

North Shore Bank offers a free checking account to consumers. Features include unlimited transactions, no cost per check, no minimum balance requirements, and no monthly service charges. Consumers can also qualify for three foreign ATM transactions per statement cycle.

The Bank offers a Statement Savings account to consumers. Consumers maintaining a \$250 account balance avoid a \$1.00 monthly service fee. An additional feature includes provision of an ATM card.

The Bank established the Good Neighbor Savings Account, which is a special consumer savings account that offers a premium interest rate with a further incentive that funds will be utilized to finance below-market rate loans for small businesses within the Bank's delineated assessment area. As of December 2004, the Good Neighbor Savings Account program has generated \$29,660,382 in new deposits.

North Shore Bank offers a First-Time Homebuyers program with expanded underwriting guidelines, reduced down payment requirements, and reduced closing costs. During the evaluation period the Bank originated 44 first-time homebuyer real estate loans in the amount of \$8,647,700.

The Bank operates a branch office at the Peabody Veterans Memorial High School in Peabody, which is considered an educational facility available to students and faculty members. The Bank provides an onsite supervisor to train the students on acceptable banking procedures and practices.

North Shore Bank offers a full range of business banking products and services. These services include business checking, business savings, certificate of deposit accounts, merchant card services, and night deposit service. Commercial loan products include commercial real estate, letters of credit, lines of credit, secured loans, term loans, and SBA loan programs.

The Bank offers a Regular Business Checking account to its small business customers. Account features include a low monthly service charge that potentially can be eliminated by earning monthly credits, predicated upon the average collected account balance.

The Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA) program mandated by the Supreme Judicial Court, which requires lawyers and law firms to establish interest-bearing accounts for client deposits. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to over 100,000 low-income clients across the state.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

#### COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. North Shore Bank's qualified community development services demonstrate a high level of community development service with many of the Bank's officers providing their technical expertise, experience and judgment to these organizations.

The Bank has taken a proactive approach to meet the needs of its assessment area. The Bank's CRA Officer and other officers of the Bank offer their technical and financial expertise by serving as board or committee members for numerous community organizations. Detailed below are a sample organizations, committees and programs for which Bank personnel offer their technical and financial expertise.

**Beverly Affordable Housing Coalition ("BAHC"):** The BAHC is an independent, non-profit organization addressing the housing need of Beverly residents whose income is less than 80 percent of the median. Approximately 45 percent of Beverly households (three person average size) may fall within this category.

**Federal Home Loan Bank Affordable Housing Program:** North Shore Bank filed two applications to Federal Home Loan Bank Affordable Housing Program of which one was approved. The FHLB approved the application for the Whipple School Annex, which was awarded Affordable Housing Program funds.

**Massachusetts Business Development Corporation ("MBDC"):** The MBDC was created in 1953 to promote economic development in Massachusetts. The MBDC typically engages in lending to smaller companies where the potential for economic expansion and job creation is high.

**Peabody Citizen's for Adequate Housing:** This non-profit organization provides shelter and transition assistance to homeless families and recovering addicts in the Bank's assessment area. North Shore Bank's Senior Vice President of Lending serves as the organization's President of the Board of Directors. Additionally, a Bank credit analyst serves on the Board of Directors of the Finance and Housing Committees.

**YMCA Facility for the City of Peabody:** The YMCA believes all people need a place to belong – a place where people genuinely care about each other. YMCA community development efforts include substance abuse prevention, job training and employment services, and transitional housing, etc. Nearly 50 percent of children in YMCA Child Care programs come from families whose annual income is less than \$25,000 a year. Children and families who are unable to afford full YMCA memberships and related programs are afforded assistance. The Bank President and two members of Board of Directors have been active in endeavors to bring a YMCA facility to the City of Peabody. One of the Bank's Board Members is Chairperson of the YMCA drive to build the new facility. The Bank's President and members of the Board of Directors have provided technical and financial expertise in planning this venture.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

**Peabody Community Land Trust:** This is a non-profit organization that purchases, renovates, and rents apartments in multifamily homes at well below market rates for families and individuals who are at least 50 percent below the median income.

**Salem Harbor Community Development Corporation:** This is a non-profit, community-based housing and community economic development agency. Specific goals are community control over housing, economic development, and self-determination for low- and moderate-income, residents, and viable neighborhoods in Salem. A Senior Vice President has provided technical and financial expertise to this entity.

**Southern Essex Workforce Investment Board:** This non-profit organization's purpose is to oversee education, skills training, employment-related activities, and workforce development for residents and businesses in the Southern Essex area. Some of the specific projects and services include remedial education/GED; summer jobs for youth; welfare to work; and DTA/transition to employment, retaining, and job development of dislocated workers. The Bank's President serves as chairperson of this organization.

**Northeastern Massachusetts Economic Development Corporation:** This non-profit corporation was established in 1979 by area industrial and business leaders, Bankers, and government representatives to assist local businesses in participating in the SBA 504 Loan Program. Through this program, the Corporation provides second mortgage financing to small businesses at reduced costs. An Assistant Vice President of Commercial Lending is a member of the entity's Board of Directors and participates on its Loan Committee.

**North Shore Housing Trust, Inc.:** This is a non-profit organization created by local leaders of the private, non-profit, and government sectors for the purpose of bringing innovative regional approaches to solving the affordable housing problems of the North Shore. A Senior Vice President is a member of the organization's Board of Directors.

**Peabody Education Council (Best Bet Program):** The Peabody Education Council works to bring human and financial resources of the business community into the classroom. The Best Bet program provides funding for teacher initiated and requested enrichment materials and programs that fall outside of the school curriculum and budget. An Assistant Vice President is a Board Member of this organization.

**North Shore Community College Foundation:** This organization is a non-profit corporation established to support the students, staff, and programs by soliciting and receiving gifts and private donations. This entity provides direct scholarship aid to students, promotes education and cultural activities, and assists special programs. Scholarships are awarded to students with household incomes of less than 80 percent of the current year's adjusted median income. A Senior Vice President is a member of the organization's Board of Directors.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

#### **Educational Seminars**

North Shore Bank has held several first time homebuyer seminars during the examination period. The first time homebuyer seminars were sponsored in partnership with the Town of Danvers (Danvers Housing Assistance Trust) and with the Salem Harbor CDC and City of Peabody. The curriculum included some information derived from the FDIC's Money Smart Program.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (32 Main Street, Peabody, MA 01960)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.